

## [Agreeing with James Hansen on climate change](#) [1]

Written by [Tim Worstall](#) [2] | Saturday 3 January 2009



I know, I know, this is near heresy. But James Hansen, one of the more apocalyptic prophets of climate change, has written an [open letter](#) [3] to Barack Obama and I find myself agreeing with one of his major points. It has to be said that I disagree on many others: my longstanding view has been that climate change is not an immediate nor a catastrophic problem, it's a chronic one that we can deal with quite easily as long as we give ourselves the requisite decades to a century to do so. This is the part that I do agree with:

*A rising price on carbon emissions is the essential underlying support needed to make all other climate policies work. For example, improved building codes are essential, but full enforcement at all construction and operations is impractical. A rising carbon price is the one practical way to obtain compliance with codes designed to increase energy efficiency. A rising carbon price is essential to "decarbonize" the economy, i.e., to move the nation toward the era beyond fossil fuels. The most effective way to achieve this is a carbon tax (on oil, gas, and coal) at the well-head or port of entry. The tax will then appropriately affect all products and activities that use fossil fuels. The public's near-term, mid-term, and long-term lifestyle choices will be affected by knowledge that the carbon tax rate will be rising.....A carbon tax is honest, clear and effective. It will increase energy prices, but low and middle income people, especially, will find ways to reduce carbon emissions so as to come out ahead. The rate of infrastructure replacement, thus economic activity, can be modulated by how fast the carbon tax rate increases. Effects will permeate society....."Cap and trade" generates special interests, lobbyists, and trading schemes, yielding non productive millionaires, all at public expense. The public is fed up with such business.*

I've deliberately left out his proposal that the tax should be returned as a dividend, I don't think it's necessary. Reducing other taxes instead would work just as well: the important point would be revenue neutrality.

But this is I think the correct way to go about things. We don't have to ban anything, like planes or runways, we don't need a "fundamental change in the structure of our society", we don't need to cripple the economy and we certainly don't need vast amounts of central planning. We just need to incorporate the externalities of carbon emissions into the market. Cap and trade does that with too much politics involved so a carbon tax (or as it is called, a Pigou Tax) looks better to me.

Now all we need is to work out what that carbon tax should be? The logic of Pigou taxation is that the tax should equal the harm being done. We have our number for the harm from the Stern Review, that \$85 a tonne CO<sub>2</sub>. Or as Defra (the number is different but the same for technical reasons) has it, around £30 per

tonne CO2. Given our total emissions of some 500 million tonnes a year from these islands that means a tax burden of some £15 billion a year and reasonable estimates are that we already pay that amount in emissions taxation.

See, I told you we could deal with this quite easily for we already do have the appropriate tax levels. Problem solved.

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